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Feature Article - Statistical Treatment of the 2003 Rugby World Cup

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Introduction

The Rugby World Cup (RWC) is a major international sporting event. The Australian Rugby Union (ARU) was awarded the right to host the 2003 RWC by the International Rugby Board (IRB) and Rugby World Cup Limited (RWCL). The event will be held over 44 days in October and November 2003. A total of 48 games will be played across Australia in all states and territories except the Northern Territory.

A large number of overseas visitors are expected to travel to Australia for the RWC. These visitors will boost tourist accommodation and other tourist services during the December quarter 2003. Significant economic activity and revenue will also be generated from the event.

The purpose of this article is to explain the treatment of economic activity associated with the 2003 RWC in Australia's economic statistics. In general, the treatment of the RWC will be similar to that for the Sydney Olympic Games, although the scale of the event is smaller.

CONTRACTUAL ARRANGEMENTS

The IRB is an organisation based in Ireland but made up of representatives from various rugby union boards around the world (including the ARU). Effectively, it is an Irish resident entity in which the ARU (an Australian entity) has a beneficial interest. The RWC is the 'property' of the IRB and the RWCL, a subsidiary company.

Countries bid to host the World Cup event every four years and Australia was successful in respect of 2003. As a result, the ARU has entered into an agreement with the IRB and the RWCL. There are two key elements of the agreement. First, in return for staging the RWC, the ARU is entitled to receive all ticket sales revenue. From this it will meet all organisational costs and tournament expenses, including the travel and accommodation costs of participating rugby teams and officials, and ground operating costs. The ARU will also pay the IRB/RWCL a fee-the tournament fee. Second, all other commercial activity associated with running the RWC will be the responsibility of the IRB/RWCL. This includes arranging sponsorship, licensing and broadcasting contracts. The IRB/RWCL will receive all the revenue from such contracts.

TREATMENT OF CONTRACTUAL ARRANGEMENTS IN ECONOMIC STATISTICS

From an economic statistics perspective because the RWC 2003 is being held in Australia all economic benefits are deemed to accrue to Australia in the first instance. However, many of the

actual benefits such as sponsorship fees, licensing and TV broadcasting rights remain with the IRB/RWCL. Therefore, for the purposes of Australia's economic statistics, it has been assumed that the ARU, as the stager of the event, has effectively ceded the revenue that it may have earned from these activities in return for paying a smaller tournament fee to the IRB/RWCL for the right to host the RWC. Therefore the tournament fee can be considered conceptually as a net transaction of the following two **implicit transactions**:

- an ARU payment to the IRB/RWCL to obtain the rights to host the RWC
- an IRB/RWCL payment to the ARU to exercise the commercial rights (i.e. sponsorship, licensing and broadcasting) for the RWC.

In practice, the only flow recorded in Australia's economic statistics will be the tournament fee.

IMPACT ON THE NATIONAL ACCOUNTS

In the national accounts, output is equal to revenue accrued plus any capital work done on own account. In the case of the RWC the latter is assumed to be negligible. While there will be some activity prior to the actual staging of the event in the December quarter 2003 virtually all of the revenue and expenses will relate to economic activity in the December quarter 2003. The following sections describe how the various RWC transactions will be treated in the national accounts.

ARU transactions

For the ARU it has been decided to allocate all of the activity associated with the RWC to the December quarter 2003. The ARU's gross value added is measured by subtracting its intermediate input expenses (e.g. ground operating costs, administration and ticketing expenses and team transportation costs) from its total revenue. This value added will be reflected in the industry gross value added estimates for the **cultural and recreational services** industry.

The ARU's gross operating surplus (GOS) will be reflected in the **private non-financial corporations** GOS series shown on the income side of the GDP accounts. Its labour costs will be reflected in the **compensation of employees** series.

The ARU's RWC transactions will be recorded on the expenditure side of the GDP account in the December quarter 2003 regardless of when the actual payments are made. The items affected are:

- **Household final consumption expenditure-recreation and culture.** The total value of tickets sold directly to Australian households and to Australian businesses for distribution to their staff.
- **Exports of goods and services.** The total value of tickets sold to non-residents.
- **Imports of goods and services-royalties and license fees.** The tournament fee (as described above) payable by the ARU to the IRB/RWCL.

Under the method of recording described above, at least some of the ARU's transactions e.g. those involving tickets, will be recorded in a period other than that in which the ARU actually receives payment for the services. Amounts that are paid in periods prior to the one in which the service is deemed to have been delivered are reflected as transactions in **other accounts receivable/payable** in the financial accounts of the relevant sectors. (Financial accounts are not

shown in this publication. They can be found in **Australian National Accounts: Financial accounts** (cat.no.5232.0.)) These transactions will be 'reversed' in the period in which the services associated with the payments are actually delivered; i.e. in the December quarter 2003.

Recording of transactions between other Australian residents and IRB/RWCL

The IRB/RWCL is exercising the sponsorship, licensing and television rights to the RWC and some of these will be purchased by Australian residents. These transactions will be recorded as **imports of goods and services** as follows:

- The fees for sponsorship and licensing paid by Australian residents to the IRB/RWCL are recorded when fees are paid.
- The fees for television rights paid by Australian residents to the IRB/RWCL are recorded in December quarter 2003, regardless of when the fees were actually paid. There may be some resulting entries in the **other accounts receivable/payable** component of the relevant sectors in the financial accounts.

Other transactions related to the RWC

It is expected that thousands of people, both from Australia and from overseas, will travel to the various states to either participate in or watch the RWC. This is likely to generate significant tourism related activity.

The expenditures of non-resident visitors (both participants and spectators) will be recorded as **exports of goods and services**. The expenditures of Australians will be recorded in the relevant components of **household final consumption expenditure**. Components that are most likely to be affected include:

- **Recreation and culture**-as stated above will include ticket sales, recorded at the time the RWC takes place, and not when payments are actually made.
- **Transport services**-will reflect the services provided to move persons between and around the various states and capital cities.
- **Hotels, cafes and restaurants**-which will reflect the food, accommodation and other associated services provided to Australian resident RWC participants and spectators.
- **Clothing and footwear, Other goods and services**-will include purchases of merchandise and souvenirs, recorded when the transactions take place.
- Corresponding effects, attributable to both resident and non-resident activity, will be reflected in the gross value added estimates for the relevant industries.

DATA ISSUES

Data provided to the ABS by the ARU (on a confidential basis) will be used to supplement existing data sources used to compile the national accounts. In most cases, the existing data sources used to compile the national accounts will include activity associated with the RWC. However, generally it will not be possible to separately identify this activity from other similar activity that is not specifically related to the RWC.

FURTHER INFORMATION

Further information may be obtained by contacting Michelle Williams on (02)62525845 or by email at michelle.williams@abs.gov.au.

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